

FOREIGN POLICY BULLETIN

An analysis of current international events



1918-1950

FOREIGN POLICY ASSOCIATION • INCORPORATED • 22 EAST 38TH STREET • NEW YORK 16, N. Y.

VOL. XXIX No. 14

JANUARY 13, 1950

Washington Seeks Way to Confine Communism to China

WASHINGTON—President Truman apparently concurs with the Congressional critics of his Far Eastern policy in the basic thesis that, short of provoking war, the United States should halt the advance of Communist influence in Asia.

The controversy between the White House and the Capitol arises primarily from the President's rejection of the contention of some members of Congress that the United States can and should blockade Asiatic communism by intervening in China. He agrees with the State Department that the cause of the Chinese Nationalist government, which has now lost almost all of mainland China, is hopeless. The President seems willing to concede Communist control of China as an accomplished fact which the United States cannot change without an armed invasion.

Continued Dispute

He and Secretary of State Dean Acheson look forward to developing a United States policy designed to halt communism not in China but along China's southern borders. The makers of foreign policy in the Truman Administration are therefore considering means to strengthen the most enlightened nationalist and anti-Communist elements in Indo-China, Thailand, the United States of Indonesia, Burma, India, and Pakistan. The Administration's interest in evolving a policy to "contain" communism within China led to the dispatch of Dr. Philip C. Jessup, Ambassador-at-Large, to Bangkok, Thailand, for consultations in February with United States diplomats in the Far East.

In advance of the formulation of a new

policy, President Truman on January 5 committed the United States to nonintervention in Chinese affairs. He announced that this country "will not pursue a course which will lead to involvement in the civil conflict in China." Despite contrary recommendations by several influential citizens—including former President Hoover, General Douglas MacArthur, the Supreme Commander in Japan for the Allies, and Senator H. Alexander Smith, Republican of New Jersey, a supporter of bipartisanship in foreign policy—Mr. Truman said that the United States will neither "provide military aid or advice to Chinese forces on Formosa," the island which at present is the seat of the Nationalist government, nor use Formosa as a base for its own forces.

Formosa Nonintervention

He explained that the United States promised to return the island to China by the Cairo Declaration of December 1, 1943 and the Potsdam Declaration of July 26, 1945 and that this country abides by the resolution which the United Nations General Assembly affirmed on December 8, 1949. This resolution calls on all states to refrain from "seeking to acquire spheres of influence [bases] or to create foreign controlled regimes within the territory of China." Nonintervention was presaged by the State Department's publication last August of the China White Paper, which reported that the United States policy of helping the Nationalist government to stop the Communist armies with weapons and military advice had failed.

The nonintervention announcement did not end disagreement about United States policy toward China. The issue will become acute again when the UN Security Council, now in session, debates the question of unseating the Nationalist delegation and admitting representatives of the Peiping regime. Between now and mid-year President Truman will learn whether critics in the House and Senate will force the revision of his foreign policy generally, in Europe and Asia, along lines he considers unsound. During that period Congress will discuss the renewal and financing of existing foreign policy programs, chiefly the Marshall Plan, the Military Assistance Program and the Truman Doctrine, and the inauguration of two policies which the President recommended in his message on the State of the Union on January 4—the Point Four plan for aiding nonindustrialized areas and membership in the International Trade Organization.

The opposition to those programs would be formidable if the members of Congress who favor continuing United States help for the Chinese Nationalists allied themselves with the isolationists and those who are prepared to weaken policy for the sake of economies in the budget. Senator Smith of New Jersey, never an isolationist, commented that the President, in deciding on nonintervention without consulting the members of the Senate Foreign Relations Committee, jeopardized the "continuance of a bipartisan foreign policy, and it is to be regretted that the President has taken the initiative in putting us into this embarrassing position."

Contents of this BULLETIN may be reproduced with credit to the Foreign Policy Association

Senators who are disgruntled with European and Far Eastern policy find another irritant in Britain's *de jure* recognition of the Chinese Communist government on January 6. The United States does not intend to follow the British lead for some time. By then, however, the Administration hopes that its new Far Eastern policy will have diminished the significance of China as an issue in American politics.

New Policy Not Clear

The manner in which the United States will support anti-Communist, nationalist governments in Southeast Asia to withstand the Communist threat is not yet clear. Washington has helped the new Indonesian government economically and has given economic and military aid to

other Far Eastern governments with which it sympathizes, in Japan, South Korea and the Philippine Islands. Development plans worked out through Point Four investments offer one means of stabilizing the Orient. A wheat credit to India is under discussion. Export-Import Bank loans for raising the level of rural and industrial economy are another possibility. The Administration has \$75,000,000, appropriated under the Military Assistance Act, which it may spend on weapons for Southeast Asia. New Zealand External Affairs Minister F. W. Doidge said in Australia on January 5 that "a Pacific pact giving collective security in this sphere is necessary" to check "the tide of communism." The Truman Administration discouraged talk of a Pacific pact last spring, but it may change its opinion.

Mr. Doidge made this remark on his way to Ceylon, where the Foreign Ministers of British Commonwealth nations on January 9 opened a conference on Asian questions. They are confronted by the fact that Communists are already strong south of the Chinese border. The Ceylon agenda included problems raised by the disorder in Burma, where the armed conflict between the Rangoon government and various elements, including Communists as well as the Karens, weakens the ability of the Western nations to blockade the advance of Russian influence. Britain has not been able to repress completely Communist rebelliousness in Malaya, and the French still face a strong Communist-led army under the Viet Nam regime of Ho Chi-Minh.

BLAIR BOLLES

U.S. Adjusting Policy to Limits of Its Power

Events on the Chinese mainland and on Formosa have focused American attention on Asia to such an extent during the past few weeks that there has been a tendency to neglect developments in Europe. More significant, some political leaders have taken the attitude that, since the United States has "failed" in Asian affairs, it might just as well cut down its commitments in Europe.

This attitude is not only logically a *non sequitur* but reveals the still superficial view many of us take about American participation in world affairs. For apparently it is assumed that, unless the United States can register in all quarters of the globe quick and concrete victories—and by this is usually meant an outcome in harmony with our wishes—then international cooperation must be adjudged a fiasco. From this conclusion it is but a short step to resumption of isolation or at least to a lone-hand policy in the areas of our special interest.

Such an attitude of "all or nothing," or "if we can't succeed we might as well give up," characterizes the adolescent who alternates between the extremes of hope and discouragement. It is scarcely an attitude on which a long-term foreign policy can be built for a nation whose every decision, positive or negative, may have incalculable results for the rest of the world.

Limits of U.S. Power

As a nation we are now learning the lesson learned ultimately by every great power—that no matter how vast our resources,

how benevolent our intentions and how sharp our fears, we are neither omniscient nor omnipotent. Even if Russia were wiped out tomorrow by the atomic bomb—or the new hydrogen bomb whose possible manufacture is being reported from Washington in hush-hush tones—we would be unable to rule the world single-handed and see the triumph all over the globe of our ideas and practices. Even our best friends in Europe may differ from us on crucial issues—Britain about China, France about Germany—while agreeing on others; and the mere fact that we are giving them generous economic aid does not entitle us to determine their course or control their reactions. We rightly pride ourselves on the fact that we have tried not to use the Marshall Plan to put pressure on the recipients of our aid. We should not be disappointed or disconcerted if Britain, France and other European nations act in their own interests, rather than as our clients or satellites.

If this is true of the decisions of the ERP nations in foreign affairs, it is even more true in their domestic policies. It might be easier and more satisfactory for us if we could force the British to integrate their economy with that of the continent and curtail their expenditures on welfare services; if we could coerce the French into balancing their budget; if we could persuade the Italians to reduce their rate of population growth; if we could make the Germans stamp out renaissance movements of the extreme right; if we could prevent the Greeks

from looking toward a military figure for political leadership. On these and many other matters the United States can certainly exert considerable influence, varying in each case. But we cannot, by waving a magic wand, by threatening to withdraw our aid or by setting artificial targets like 1952 for the completion of European integration, alter overnight the traditions, habits and ways of thinking of widely diverse peoples. And if this is the case in Western Europe, where at least we feel on familiar ground with nations that have contributed so richly to our own civilization, how much greater is our problem in Asia where, in spite of our long-time interest in China, most of us are really wanderers in an unknown world.

Stability or Stagnation?

Instead of looking for spectacular results that would make exciting headlines, we must in many cases be satisfied with limited returns for our efforts. Instead of expecting "unconditional surrender" by Russia, as we did with Germany, we must settle down for the long pull—perhaps a generation, perhaps more—of the "cold war" or "co-existence of capitalism and communism," whichever phrase we prefer.

This should not mean loss of confidence on our part or the kind of blank despair about the future which in less fortunate countries has brought about the Spenglerian view of life or the Sartre philosophy of "no exit." We can take satisfaction in the fact that our economic aid to Western Europe has helped to revive production—

in fact has proved more quickly successful than was anticipated in 1947—with the result that the ERP countries had reached in 1949 most of the production targets set for 1952. We can congratulate ourselves on the relative stability of Europe west of Berlin and on the absence in that region of political coups, purges and measures of repression. We can register on the credit side of the ledger the decline of Communist influence in the West—although it is not yet clear whether this decline has been due primarily to American aid and influence or to the mistakes of Moscow's policy, notably in the case of Yugoslavia. We can welcome the holding in Greece of elections—from which the Communists will be excluded—scheduled for February 19.

On the other hand, if we make use of our new-found realism, we will have to admit that the restoration of European production to the 1938 level has not solved the continent's long-run economic and social maladjustments which have been developing for half a century or more; that to produce is not enough if there are no outlets for Europe's products; that the rise of colonial territories to the rank of independent nations has profoundly altered Europe's economic relationship with

the rest of the world; and that the United States, no less than Western Europe, must effect changes in its own economy if genuine integration is to be achieved.

We must also ask ourselves whether the stability in Western Europe which we have found so comforting when contrasted with unrest in other parts of the world is in every instance a healthy phenomenon; or whether some of the European governments, propped up with Marshall Plan aid, are merely sitting on the lid of potentially dangerous situations which will explode if we withdraw from the continent.

What seems to us like stability, may turn out to be stagnation, mere failure to come to grips with disturbing issues as, for example, the failure, to date, of the de Gasperi government in Italy to tackle the land reform problem for fear of antagonizing landowners. It may well turn out that the governments which, in the wake of the war, took the risk of effecting reforms while digging themselves out of the rubble of war, like the British, will have laid the basis for greater ultimate stability than those which simply relied on our fear of communism and Russia as a source of permanent aid. We must also face the fact that, in the case of Yugo-

slavia, we have modified the Truman Doctrine concept of helping all "free peoples" against both Russia and communism by giving increasing financial and trade assistance, and ample propaganda support, to a government which is no less a Communist dictatorship because it has defied Moscow. Our policy, moreover, has reduced to a minimum the influence we might have exercised in the Soviet orbit.

Within the framework of this situation, which is neither all black nor all white, there is ample room for constructive and farsighted action by the United States, provided we can eschew dogmatic assumptions about the acceptability of our political and economic institutions to all peoples at all times. Our dogmatism on this score has been shaken in Asia and may be further shaken in Europe. There may be consolation for us in the knowledge that the dogmatism of Soviet policy, posited on the breakdown of the American system, has also been subjected to disillusionment. This may seem a rather narrow base for hope in 1950—but it may be that the erosion of faith in the impregnability of both East and West will facilitate a gradual adjustment to the realities of the twentieth century.

VERA MICHELES DEAN

Spain's Economic Problems Revive Aid Issue In U.S.

Whether the Spanish worker will continue to receive his daily half-pound bread ration—or will eat at all this year—has become a serious problem not only in Madrid but also in Washington. Spain today is reported to be facing 1950 in the weakest position in which it has been for years, as the cushion which has sustained its economy since the end of World War II—in the form of Argentine wheat shipments on credit—begins to sink. This consideration lends urgency to the various big and little aid schemes which are currently under discussion in the United States. The controversial "Spanish question," as Herbert Feis, expert on Iberian economics, pointed out, always boils down to this, Does the West want a "hungry or a thriving Spain?"

Last fall Generalissimo Franco received members of the Senate and House committees on foreign affairs and appropriations, a number of whom publicly indicated their interest in seeing anti-Communist Spain more closely integrated with Western Europe. At the end of the year the possibility arose that midwestern Republicans

might seek to make Spain, which in their view could become another China, a major policy issue in the current session of Congress. The Congressmen who are urging the Administration to develop closer diplomatic and economic relations with Madrid represent cotton, mining, shipping and commercial interests anxious to take advantage of the sound market and investment outlet that Spain, they believe, represents. On December 14 Secretary of State Dean Acheson stated that the possibility of asking the Franco regime to become a member of the UN Food and Agricultural Organization might be considered.

For Want of a Nail

Spain's problem is one of scarcities, and in no area is this more apparent than in agriculture which is still the main strength of the economy despite the government's attempt over the past twenty years to encourage industrialization. Last year the Urquijo bank, one of the leading private banks of Madrid, reported that, although the population had increased 10

per cent since the end of the civil war, the index of the total cultivated area based on the average of the years 1931-36 had dropped 9 points, per hectare production was down 23 points, and crop yields had fallen 30 points. Production of wheat and potatoes today is only 58 per cent of what it was in 1929, while the yield of Spain's important cash crop of olive oil has declined 31 per cent. Shortages of fertilizer, draft animals, and storage space impede production, while distribution to marketing-points must be made by broken-down trucks over roads built in the time of Primo de Rivera, which cannot be properly maintained because there is not enough asphalt, or by railroads whose equipment is wearing out faster than it can be replaced.

Although Spain has always suffered an adverse merchandise balance, its large agricultural exports helped to offset heavy imports in other lines. Now, owing to high production costs and a depreciated currency, not only have its dollar-earning agricultural and other exports fallen, but Spain is also dependent on heavy imports

to feed itself. Sherry and other wines and liquors, which customarily represent 10 per cent of United States imports from that country, in 1948 earned only \$2 million as compared with \$23 million in 1944. Cork sales have fallen off by one-third in the United States, and this country buys no potash at all from Spain because the price is too high. To compound the problem, Spain in 1949 was assailed by drought for the fifth consecutive year.

Perón Halts Grain

October rains improved 1949-50 crop prospects and appeared to give the economy another year's reprieve. At that time it was forecast that in the coming twelve months Spain would require only 342,000 tons of wheat from foreign sources instead of the 500,000 tons, representing one-fourth of its bread consumption, which it has been importing annually during the post-war years. Under the \$353 million line of credit accorded by Argentina in 1946, and extended by the Franco-Perón protocol of 1948, the South American country has been meeting Spanish import requirements of this staple. But this credit, intended to last until 1952, has been eaten up by large shipments and Argentina's high asking price, which was set in consideration of the fact that payment would be made in a soft currency. Argentina, moreover, has reportedly received little tangible return from the agreement under which Spain was to furnish machinery and metals, build ships and construct free port facilities for the Argentine merchant marine. In the last half of the year the Perón government suspended shipments and a Spanish trade mission returned from Buenos Aires in December with the news that they would not be renewed unless Spain agreed to pay cash on current account and to make a 15 per cent payment on the debt it already owes Argentina. Meanwhile Spain was reported to be shopping for wheat, payable in dollars, in the United States and Canada; reportedly only \$8 million remained of the \$25 million which the Chase Bank made available to the Spanish government last February; and conservative circles in Madrid predicted that a serious food shortage would develop in the spring.

This story of scarcities, high production

costs, inability to locate foreign markets, and balance-of-payments difficulties leading back to scarcities is duplicated in mining, in the important textile industry, transport, and in Spain's small but sound family manufacturing enterprises. Government policy is blamed for the failure to establish a single, competitive peseta rate instead of the complicated multiple rates which now obtain for products the government wishes to buy or sell abroad. At the same time it is acknowledged that Spain has made some progress in practically every economic sector since World War I. Those who favor carefully considered United States assistance to Spain argue that a comparatively modest amount of pump-priming in selected industries such as chemicals, mining, cotton textiles and transport, would give the economy the impetus necessary to raise its productive capacity. The alternative may not necessarily be economic collapse this year or next, but at the very least it will mean a continuation of present makeshift arrangements, and these are hardly productive of higher standards of living, more educational opportunities, and greater contacts with the outside world which are necessary to political improvement in the Iberian peninsula. For want of a nail, the argument runs in effect, must Spain be lost to the West?

OLIVE HOLMES

(The first of two articles on Spanish policy developments.)

Branch and Affiliate Meetings

*SPRINGFIELD, January 14, *Uncle Sam—Santa Claus or Realist*, J. Clifford Stark, Mrs. Betty Brand Burch, Lewis Hyde, Dr. S. Justus McKinley

*ST. LOUIS, January 15, *The Role of India in World Affairs*, Rev. Jerome D'Souza

*ST. LOUIS, January 17, *Beyond the Marshall Plan*, Roscoe Drummond

*BUFFALO, January 21, *The Anatomy of Titoism*, Joseph C. Harsch

*CLEVELAND, January 25, *Wanted: An American Foreign Policy Toward China*, Nathaniel Peffer

BETHLEHEM, January 26, *Europe to America*, Richard Plant

CLEVELAND, January 26, *U.S. Chinese Relations*, W. T. Chan

NEW YORK, January 27, *The Economic Situation in the Near East*, Gordon R. Clapp

*Data taken from printed announcement.

News in the Making

WAFD VICTORY IN EGYPT: A setback for King Farouk was seen as the principal result of the Egyptian election on January 3. The Wafdist party, led by Nahas Pasha who has become Premier, scored surprising gains over the Saadists, winning 161 of the 319 seats in Parliament in what appeared to be a free and honest poll. Farouk, who dismissed a Wafdist regime in 1944, has favored politicians from the Saadist and National Liberal parties, and the Wafd would like to curb his powers.

PLANNING A CRISIS: Premier Alcide de Gasperi's government announced on January 6 that the projected cabinet "crisis" would be postponed indefinitely pending Parliamentary action on the establishment of an Italian trusteeship over Somaliland. The crisis, constitutionally indicated as a result of the resignation of Socialist members of the government on October 31, will give de Gasperi—who presumably would be asked to form the new cabinet—a free hand to make some changes in personnel and readmit the right-wing Socialists who on January 8, at their national congress, voted to resume collaboration in exchange for certain reforms. Both the Socialists on the left and the Liberals and Republicans on the right are seeking to exchange their Parliamentary votes for concessions.

EXCESS EUROPEAN STEEL? The steel division of the UN's Economic Commission for Europe, in an exhaustive study of world production and market trends issued on January 4, finds that Europe is planning to produce 70 million tons of steel annually by 1952. Potential demand, ECE estimates, will absorb only 62 million tons even under conditions of full employment and prosperity.

INDIA AND PAKISTAN: According to India's Deputy Prime Minister, Sardar Vallabhbhai Patel, relations with Pakistan have become so strained they are "capable of provoking war." Tension has risen not only over the Kashmir dispute but also as a result of a trade war arising from Pakistan's decision not to devalue its rupee last September when the rest of the sterling area slashed currency rates.